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32CENTRAL INTELLIGENCE AGENCY
National Foreign Assessment Center
15 December 1978INTELLIGENCE MEMORANDUMPOLAND AT YEAR'S ENDKey Judgments

The continuing deterioration of the Polish economy is intensifying the recognition that major changes are needed in top leadership, economic policies, or both. Maneuvering for position within the Polish leadership has become markedly more active and open in recent weeks. [REDACTED]

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-- *This maneuvering is probably intended to put the principal players in good position to pick up the pieces if public indignation should erupt again.* [REDACTED]

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-- *In the past, significant changes have come about only after such massive displays of public discontent as those of 1956 and 1970.* [REDACTED]

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-- *The regime's rapport with the public remains very tenuous. The state of current relative calm is due more to cautious government policies than to any improvement in economic conditions.* [REDACTED]

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-- *This week's two-day Central Committee plenum could have taken some policy decisions regarding the economy, but initial reports do not suggest any departures from the status quo.* [REDACTED]

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State Department review completed

This memorandum was prepared by the Office of Regional and Political Analysis and the Office of Economic Research. Questions and comments may be directed to [REDACTED]

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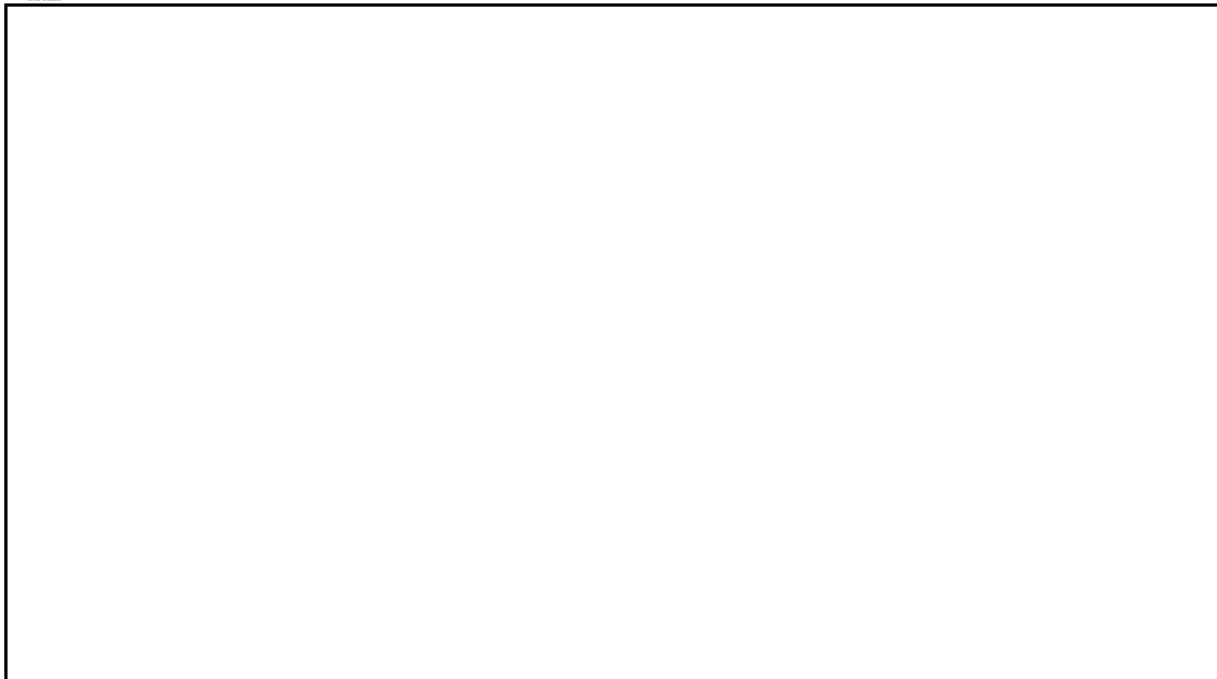
Party leader Edward Gierek seems relatively secure, barring further deterioration of his health or serious civil unrest, but other high-level personnel changes, possibly including Prime Minister Jaroszewicz, cannot be excluded. [REDACTED]

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-- *The Sejm meets on 20 and 21 December to ratify the Central Committee's decisions.* [REDACTED]

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Bleak Economic Outlook



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Export difficulties have kept the trade deficit high. To cut the deficit, Warsaw plans to pursue a no-growth policy for imports from the West for the third consecutive year; imports actually fell in 1977-78. One source reports that investment in 1979 will be cut sharply, partly because of the drop in capital goods imports. The announced draft plan for 1979 calls for a nominal drop of some 10 percent in investment--substantially more in real terms--and some of the slowest growth rates for national income and industrial production in recent Polish history. Stormy debates in the Sejm have occurred over where such cuts will be made. [REDACTED]

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The Rumor Mill

This bleak picture has generated a vigorous debate within the leadership. There is a general awareness that economic policies either have failed--often due to the ineptness of a sluggish bureaucracy--or, if effective, have conflicted with parochial interests and thus caused resentment on the part of some leaders in the regional hierarchy. Not since the discussions that preceded last year's 9th Central Committee meeting has the debate over the need for significant personnel and policy changes been as rampant. [REDACTED]

The existence of sharply divergent views over economic reform issues within the hierarchy has been explicitly confirmed to US Ambassador Schaufele by the chief of Poland's Planning Commission. It is impossible to predict what course will be chosen as a result of the current debate. What does seem clear is that the party leadership is probably more desperate for solutions now than ever before. The point may not yet have been reached, however, where it is finally willing to bite the bullet. Time and again in the past, important changes appeared to be imminent, but nothing happened either because the regime feared the political and other consequences of taking a radical new course or, in fact, failed in the end to agree upon appropriate remedial measures. [REDACTED]

Most notable of the recent rumors and related activities include:

- Gierek and/or party secretary for economics Stefan Olszowski reportedly submitted resignations, which were rejected.
- A violent clash is said to have occurred between Gierek and Katowice party leader and Gierek protege Mieczyslaw Grudzien.
- An elite discussion group, perhaps intended as a stalking horse for Olszowski, was formed to discuss Poland's problems.
- There is speculation that either Olszowski or party secretary Stanislaw Kania will soon replace Prime Minister Piotr Jaroszewicz.

Gierek: Probably Durable

Rumors about Gierek's health, which the regime has done nothing to counteract, have added a further complicating factor to contention over regime policies. The last-minute postponement of Gierek's trip to Bulgaria in early October, and his subsequent virtual disappearance from public view until he returned from a Czechoslovak health spa on December 2, naturally gave rise to many rumors, the most dramatic of which was that he was shot, shot at, or involved in some violent incident during an early October trip to Katowice. There is no conclusive evidence of such an occurrence, although a report [REDACTED] 25X1

[REDACTED] 25X1 that Gierek was involved in a shoving match following one of his speeches seems plausible. Such a melee could easily have precipitated what is apparently a chronic lower back problem, but stepping off a curb could also cause the same reaction. [REDACTED]

We would estimate that Gierek is likely to hold on unless his back problem is more serious, and recurrent, than appears to be the case. The Polish party has only removed its top leaders as a result of serious public disorders and there is no evidence that other factors now are present which would change this pattern. [REDACTED] 25X1

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The Leading Contenders

25X1 The Premiership, given the country's intractable problems, almost amounts to a no-win job, and Prime Minister Jaroszewicz is more vulnerable than Gierek. Regarded as Moscow's man in Warsaw, he is widely disliked and the population would get a psychological boost were he removed. Nevertheless, his early departure has been rumored almost from the day he took office and he has exhibited remarkable staying powers. Any successor to Jaroszewicz would probably take the job only on condition that he could implement sweeping changes. The editor-in-chief of a leading Polish publication was probably right, however, when he observed that "those who want to make a move now are not intelligent enough to know what to do, and those who would know what to do are too intelligent to move now." [redacted]

25X1 Many of the stories now circulating center on Olszowski's activities. For almost a year [redacted] among others, has been telling the US Embassy that Olszowski is preparing the ground to replace Gierek eventually. There is no agreement, however, among those relating the report on how successful he has been. One Polish party official has claimed that there is a groundswell of support for Olszowski among frustrated younger party workers unhappy with the regime's lackluster economic policies. More recently, a Polish radio commentator said privately that although Olszowski is emphasizing "honesty in administration" he has not secured much support from within the party leadership for policies intended to reduce corruption. [redacted] 25X1 [redacted] many of Olszowski's speeches have deliberately not been distributed or reported by PAP, the government press agency. [redacted]

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Olszowski's name has also been connected with the recent creation of a large but informal discussion group named the "Conservatorium," reportedly composed of establishment and independent members of the political and economic elite. Polityka editor Rakowski and Wies editor Mazowiecki are among the participants; Mazowiecki is also associated with the dissident camp. Knowledge of the group's existence is quite widespread, indicating that the search for alternatives to official policies is also both topical and urgent. [REDACTED]

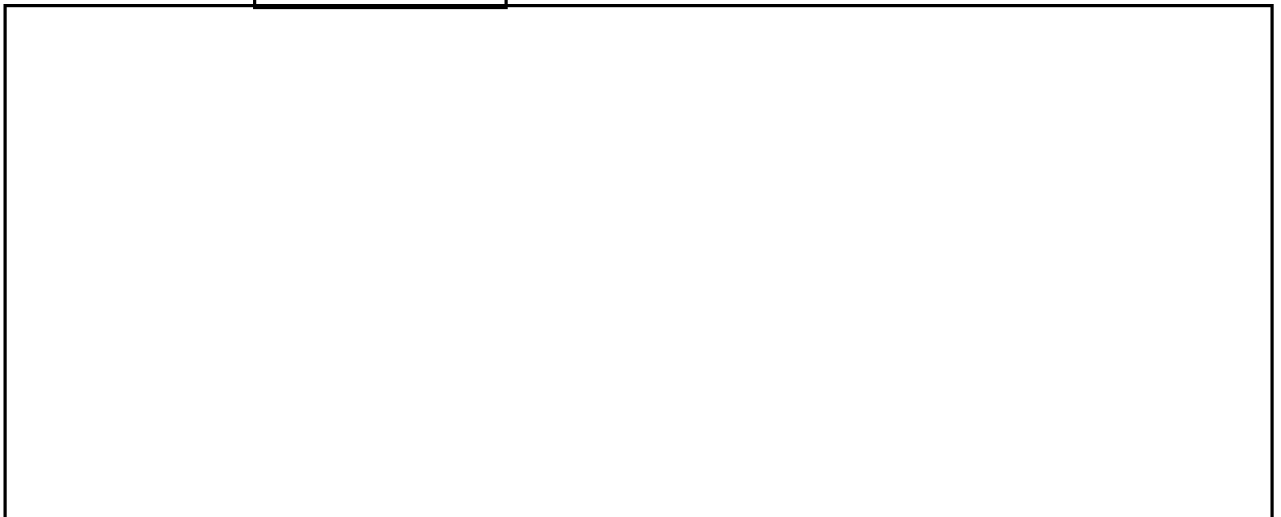
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Sixty persons reportedly participated in the first "Conservatorium" meeting which had a heated discussion on "economic inequality" in Poland. A second meeting was slated to take place in late November on the theme of "the function of law in Polish society," but we cannot confirm that it was held. Polish sources assume that Olszowski, partly through using the "Conservatorium" as a vehicle, is trying to get the candid views of the Polish elite and, at the same time, broaden support for himself. [REDACTED]

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Stanislaw Kania, Politburo member and party secretary for military, internal security and religious affairs, is also reported to be playing a particularly active role in the debate over economic alternatives. Polish intellectual Zdzislaw Najder, who is generally well-connected and informed, claims that either Olszowski or Kania might soon replace Prime Minister Jaroszewicz. Both leaders, according to Najder, now are trying to rally support around the slogan "down with incompetence and economic inequality." [REDACTED]

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Approved For Release 2006/03/17 : CIA-RDP80T00634A000500010033-5

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